

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC12-00001105 AMENDMENT NO. 8

Contract Officer: Karen D. Ingram

SOLICITATION DUE DATE: January 3, 2012

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.
THIS SOLICITATION IS AMENDED AS FOLLOWS:

RFP NO. ADOC12-00001105 – Privatization for All Correctional Health Services

CHANGES IN REQUIREMENTS THAT WILL FORMALLY CHANGE THE REQUIREMENTS WILL BE SHOWN AT THE BEGINNING OF THIS AMENDMENT.

Additional Questions submitted on December 7th, 8th, 9th, 12th and 13th will be Answered in amendment(s) forthcoming.

Questions submitted on December 5, and December 6 2011

Question 1: RFP Page 86 - Section 2.12.27.1 - In addition to completing Exhibit 5, the Department is asking the Contractors to submit a formulary. Given that the formulary would be a number of pages, would it be acceptable to the Department to include the formulary as an Attachment rather than insert it as part of the response as required by Section 2.1.1.5?

Answer: Required documentation may be provided as an attachment in the response to a particular Section or Subsection, if it follows the Section or Subsection. For example, the information required under 2.12.27.1 may be included as an attachment, but that attachment must follow Subsection 2.12.27.1 and must precede the response to Subsection 2.12.28. It can not be included as an attachment that is contained in a separate binder or that is part of a group of attachments, exhibits, appendices at the end of a proposal.

Question 2: Psychiatric Nurses - By site, how many psychiatric RNs are certified

Answer: Psychiatric RNs are not certified, they are licensed. All Psychiatric Nurses meet the position knowledge, skills and abilities as required by the Position Description Questionnaire.

Please refer to the *ADC Health Services Positions as of 10-31-11 (Revised)* posted under Data and Reports at:

http://www.azcorrections.gov/adcd/divisions/adminservices/data_report_list_092111.aspx

Question 3: Average Daily Population - We see that the ADC has provided its current inmate population numbers (RFP Page 22) and its projected population (Amendment #3, questions submitted on Nov 7, as well as some historic numbers. So that all bidders are pricing the same population level, and to ensure that the Department receives "apples-to-apples" proposals, please specify on which Average Daily Population (ADP) number bidders should base their pricing.

Answer: An Offeror may base their pricing on whatever factors the Offeror deems relevant and appropriate. An Offeror's fixed per day per inmate capitation rate submitted under RFP Section 3, Fee Schedule will represent the contract price should the Offeror be awarded the Contract. That rate will be invoiced and paid twice a month based upon inmate population.

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Question 4: Small Businesses - Please provide the ADC's definition of "small business" for purposes of the RFP, i.e., in order to be considered "small," does the business have to have fewer than a certain number of employees or annual revenue

Answer: In accordance with A.R.S § 41-1001, State Government; Paragraph 20. " Small business" means a concern, including its affiliates, which is independently owned and operated, which is not dominant in its field and which employs fewer than one hundred full-time employees or which had gross annual receipts of less than four million dollars in its last fiscal year. For purposes of a specific rule, an agency may define small business to include more persons if it finds that such a definition is necessary to adapt the rule to the needs and problems of small businesses and organizations.

Question 5: Employee Benefits - By position, please provide a detailed description of the benefit package currently provided to ADC employees, along with a value and/or percentage as a component of annual salary.

Answer: For benefit information please refer to <http://www.benefitoptions.az.gov/>. ADC currently calculates Employee Related Expenses for Health Services staff at 36.6% of wages.

Question 6: Off-site Services - The RFP section 2.12.1.1 states, "The Offeror shall provide in their response to this Request for Proposal a detail explanation of those services that shall be provided off-site and those services that shall be provided on-site." Please provide clarification of the type of services being referred to in the section above. Is this referring to stock medications; distribution center?

Answer: RFP Section 2.12.4 states that "The Offeror shall have the flexibility to provide pharmacy operations off-site or to retain existing physical space for the pharmacy and similar operations." RFP Section 2.12.4.1 states "The Offeror shall provide in their response to this Request for Proposal a detailed explanation of those services that shall be provided off-site and those services that shall be provided on-site." Section 2.12.4.1 requires that the Offeror identify all services required under Section 2.12 that will be provided on-site and all services required under Section 2.12 that will be provided on-site.

Question 7: Claims - It is unclear from the following files provided how many individual claims were processed in each of 2009/10 and 2010/11. FY2008 TPA Claims by Diagnosis Reports FY2009 TPA Claims by Diagnosis Reports FY2010 TPA Claims by Diagnosis Reports FY2011 TPA Claims by Diagnosis Reports E.g. The TPA Claims by Diagnosis Reports for 2011 indicates total claims of 183,172. Does this number represent: (a) actual individual claims processed and paid, or (b) the total number of encounters with outside providers, in which case a number of encounters may be included in an individual claim, such that that the number of claims processed and paid is considerably lower than 183,172. If the answer is (a), this number appears high relative to other states. For example, there were 2,177 hospital admissions and 14,697 off site (presumably specialty) encounters in 2011 for a total of 16,874 provider visits. Does this imply 10.8 claims per visit (183,172/16,874)? Please explain what processes the ADC has in place with respect to claims processing that could cause this volume of claims. For clarity, what is the relationship between the files listed above and the file called OffSite_Encounter_DataFY2011 that shows off site encounters in 2011 of 14,697? If

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the answer is (b), how many individual claims were processed and paid in 2008 through 2011? Related, what is the relationship between the files listed above and the file called OffSite_Encounter_DataFY2011 that shows off site encounters in 2011 of 14,697? Are you saying that the 14,697 encounters generated 183,172 claims? If claims were also being paid by ADC in these years, please provide the number of claims processed and paid by ADC such that we can calculate the total number of claims processed in each year for the covered inmate population. If it is possible to provide this by facility, please do so, as it is important to exclude the private contracted prison facilities.

Answer: The number reported is the number of claims processed by the ADC's TPA, AHCCCS. The number of claims includes, but is not limited to, claims that were "clean", processed and paid; multiple submissions of the same claim by providers; denied claims which had to be made clean and resubmitted or payment. In other words, one claim could be processed multiple times and thus counted multiple times. ADC tracks expenditures paid through ADC, not the number of claims paid.

Question 8: Inmate Store - The RFP references an "inmate store" vendor several times, for example in sections 2.12.18.2 "Inmates electing to purchase the non-prescription OTC medications from the inmate store stick, maintained in the health unit, during their routine or emergency visit at the health unit will complete form...." And in section 2.12.28.3, "The following inmates shall be prescribed, as medically indicated, and provided, at no charge to the inmate, the OTC's identified to be stocked at the health units by the inmate store vendor..." Are the inmate store services to be provided under the scope of this RFP or is this provided by a separate vendor?

Answer: The inmate store services (commissary) are provided under a separate contract (110154DC) and provided by a separate vendor (Keefe Commissary Network).

Question 9: Claims - Please break down the total number of claims processed and paid by claim type i.e. inpatient, outpatient, specialist for each year from 2008 through 2011 for all of ADC and TPAs, if possible by facility.

Answer: Offers can ascertain specialty services expenditures from the "Claims by Diagnosis Code" Reports. Please refer to the following reports posted under Data and Reports at:
http://www.azcorrections.gov/adc/divisions/adminservices/data_report_list_092111.aspx

FY 2008 through FY 2011 TPA Claims by Diagnosis Reports
FY 2011 Health Care Services by Providers Paid through ADC.

Question 10: Costs - Why do costs that appear in the files "FY2008 through FY2010 Health Care Services by Providers Paid Through ADC" and "FY2011 Health Care Services by Providers Paid Through ADC" not agree with the costs that appear in the files called TPA Claims by Diagnosis Reports for each of FY2008, FY2009, FY2010 and FY2011? Is it because the costs appearing in the TPA Claims by Diagnosis reports were paid by a TPA and not paid through the ADC? If so, does this mean that the costs appearing in for example, the files called "FY2011 TPA Claims by Diagnosis Reports" and "FY2011 Health Care Services by

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Providers Paid Through ADC” need to be added together to get a true picture of the third party provider costs for 2011? a) Assuming the answer to the question above is in fact that TPA claims and ADC claims need to be added together to get the true claims cost for a given year, in the files called “FY2008 through FY2010 Health Care Services by Providers Paid Through ADC” and “FY2011 Health Care Services by Providers Paid Through ADC” the cost in 2008 and 2009 is almost double the cost in 2010 and 2011. Can you please explain why the total cost of claims paid through ADC has come down so much? Is it because more claims are being processed by TPAs? For example the number of “claims” (depending on the definition) processed by TPAs in 2009 was 102,085 and this rose to 165,288 and 183,172, in 2010 and 2011, respectively. b) Similarly, the cost of claims paid by TPAs went down by 19% and 25% in 2010 and 2011, respectively. What is the cause of this? c) The average cost per claim processed by TPAs declined by 50% and 32% in 2010 and 2011, respectively. What caused this? d) What is the average cost per claim processed by ADC in each of 2008 through 2011?

Answer: The numbers show what was paid through the ADC TPA and what was paid through ADC for each of the Fiscal Years stated. These are two reports that are independent of each other. Total claims paid through ADC dropped in FY 2010 primarily because most medical claims had to go through the TPA when the AHCCCS rates legislation became effective, thus increasing the number of claims paid through the TPA and decreasing the number of claims paid through ADC.

The drop in the average cost per claim was most likely due to the AHCCCS rates legislation which became effective 11/23/09. ADC operated for seven months of reduced rates in FY 2010 and a full 12 months in FY 2011.

Question 11: TPA Services - Who provided the TPA services to ADC over the last 4 years and how much were they paid.

Answer: The Arizona Health Care Cost Containment System provided the TPA services to ADC over the last 4 years.

Fees Paid:

FY 2008: \$272,208.26
FY 2009: \$403,378.74
FY 2010: \$406,955.43
FY 2011: \$489,493.41

Question 12: ER Visitation Summary File - On the report titled ERVisitation_Summary_F2007_2011.pdf please provide further explanation of the column titles. If an ER visit results in an admission, is it still on this report? i.e. is there some overlap between the number of inpatient admissions and ER visits? Or are the ER visits on this report effectively outpatient visits that do not result in an admission? Alternatively are all ER visits considered an admission? Are you able to confirm the number of ER visits on this report that resulted in an admission?

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Answer: If an ER visit results in an admission, it is still on the report. There is some overlap between the number of inpatient admissions and ER visits. All ER visits are not considered an admission. ADC does not maintain statistics on ER visits that result in hospital admissions.

Question 13: ER Visitation Summary File - Please provide the source Excel files for all of the above documents?

Answer: The source documents for the ER Visitation Summary File are not available in a format that can be provided.

Question 14: Financial Requirements - Regarding the financial requirements on page 38 of the RFP, if the Offeror is a newly formed joint venture comprised of two companies and is relying on the individual companies for capitalization and funding, can the 5 year proforma financial statements including financial viability calculations be completed by adding together the individual 5 year proforma financial statements of the two companies? Additionally, can the financial statements of the individual companies be added together to meet the requirements of section 2.4.5.4?

Answer: Per RFP Section 2.3.1.3, the qualifications...of all parties shall count toward meeting the requirements of the RFP and in evaluating the RFP. For RFP Section 2.4.1.1, the five (5) years of financial data shall be submitted for **each** organization that intends to provide funding or support. Should five (5) years of data not be available for each, the combined years of data must be at least five (5) years. All parts/paragraphs of Section 2.4, with the exception of 2.4.1.1, should be described and met as a single responsible entity going forward (see Section 2.3.1.1). The five-year pro-forma should reflect the specific joint venture entity's financial projections related to results of operations for this Contract. Therefore, if the entity is a Joint Venture it would not be appropriate for the pro-forma to reflect the whole operations of the two (or more) parties forming the joint venture.

Question 15: Capitation Rate - Building on Question 15 of Amendment 3 (Submitted 11/7/11), we believe it is in the State's best interest to provide a standardized population number to calculate the capitation rate. Without this number, the State loses much of the ability to compare bids and check various line items for pricing reasonability. For example, assume two bidders submit an identical Dental Services staffing profile, but are vastly different in terms of relative price. It would be difficult to determine whether one of them had used unrealistic recruiting assumptions, or if it had simply assumed a higher population number, or if the various was driven by some combination of both. In the interest of maintaining transparency on this front, we respectfully hope that the State will reconsider its decision to allow vendors to choose their own denominators.

Answer: An Offeror may base their pricing on whatever factors the Offeror deems relevant and appropriate. An Offeror's fixed per day per inmate capitation rate submitted under RFP Section 3, Fee Schedule will represent the contract price should the Offeror be awarded the Contract. That rate will be invoiced and paid twice a month based upon inmate population.

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Question 16: Third Year Rate - Section 1.15 may incentivize some bidders to provide a rate based on estimated costs for only the first two years of the contract, under the assumption that they will be able to negotiate a higher rate for the third. Would the State consider language to guarantee and normalize this third year increase, or otherwise disallow it entirely

Answer: The ability and process to submit for a rate increase for year three is clearly stated and is not guaranteed.

Question 17: Option Period Pricing - Does the State wish to see pricing for the two option periods, or is it assumed that a new price will be negotiated at some point during the original term?

Answer: The ability and process to submit for a rate increase for year three is clearly stated and is not guaranteed.

Question 18: Exhibit 4 - There are differences between the Exhibit 4 in the RFP PDF and the Exhibit 4 linked on the RFP web site. Is it correct to assume that the version at the end of the PDF is binding, and that the linked version should be disregarded

Answer: Exhibit 4 on page 154 of the RFP is correct and is part of the RFP. The Exhibits contained. The Exhibit 4 provided under the *Critical Reference Material: ADOC12-00001105* link, was incorrect and has been removed.

Question 19: Supplies Inventory Value - In reference to 2.6.13, can the State provide an estimated value of the supplies inventory upon contract commencement?

Answer. Inventory on hand varies by day based upon usage and ordering. Actual supplies on hand will be inventoried at the time the Contract is awarded.

For FY 2011 annual costs please refer to the *Health Services Drugs & Medicine Expenditures FY2010-FY2011* posted under *Data and Reports* at
http://www.azcorrections.gov/adcd/divisions/adminservices/data_report_list_092111.aspx

In addition, in FY 2011, ADC spent \$1,606,265 on supplies coded as medical and dental supplies.

Question 20: EMR - In 2.22.6, the State strongly recommends a vendor for the EMAR system. Has the State similarly identified or considered desirable candidates to implement the EHR system described in 2.22.5?

Answer: ADC does not recommend any particular vendor for the required EMAR or EHR system. The information provided on the current ADC EMAR vendor is intended to provide the Offeror with information necessary to develop their data conversion plan.

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Question 21: Expansion Projects - In reference to 2.1.11, has the State previously considered such expansion projects? If so, what scope and cost details can the State provide on the effort(s)?

Answer: ADC does not have cost details related to any on-site infirmary expansions available.

Question 22: Performance Bond - In reference to 1.35, is an annually renewable performance bond acceptable?

Answer: Yes, an annually renewable Performance Bond is acceptable.

Question 23: Current Ratio - In reference to 2.4.5.4.1, is the State willing to temporarily relax the 1.0 current ratio requirement in cases where the bidder has the opportunity to improve its financial standing? For example, if a bidder has the ability to accelerate payment on high-interest long-term debt, it may be beneficial to do so, even if the current ratio drops below the 1.0 limit in the process.

Answer: The Department is not willing to relax this requirement.

Question 24: Hospital Admission Summary Report - According to the Hospital Admission Summary Report and On-Site Needs Requests Report, there was a large overall surge in care figures from FY2010 to FY2011. As this spike significantly outpaces the growth in population, can the State provide further reports or insight as the drivers of these increases?

Answer: This data is not available

Question 25: Financial Information Requests - In reference to 2.5.3, can the State affirm that requests for financial information will be germane to this particular contract (or to the company as a whole), and that they will occur no more often than quarterly

Answer: Requests for financial information made by ADC pursuant to RFP Section 2.5.3, shall be relevant or connected to a Contract awarded as a result of the RFP and the Contractor awarded the Contract. Final determination as to what is relevant to the Contract/Contractor shall be made by ADC.

Question 26: ACI Forms Pricing List - In reference to 2.6.16, can the State clarify the information provided in the ACI Forms Pricing List? Does the List display the unit price of each form, given that it is ordered in the quantity shown in the column headings?

Answer: Yes. The list identifies the unit price if ordered in the quantity listed in the header/first row.

Question 27: Required License Pricing - Several of the required licenses and approvals do not have pricing information readily available. Can the State provide estimates for the cost each?

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Answer: The Offeror should contact the licensing entity to review requirements and costs associated with the licensure.

Question 28: Uniform Instructions - Section 12.1 of the Uniform Instructions states that the Special T&Cs take priority over the Uniform T&Cs. Can the State confirm that the Cancellation policy written in 1.25 of the Special T&Cs completely overwrites the policy given in 9.4 and 9.5 of the Uniform T&Cs

Answer: The Special Terms and Conditions are in addition to the Uniform Terms and Conditions. Section 12 of the Uniform Instructions to Offerors identifies that in the event of conflict in the provisions of the solicitation, the Special Terms and Conditions precedes the Uniform Terms and Conditions.

Question 29: Employer Related Expenditures for Employees - Price Breakdown, RFP page 125 -- Employer Related Expenditures for Employees -- Could the ADOC please describe what expenses are to be including in this pricing category? In other words, should this category include just employee benefits and payroll taxes or also such expenses as training, recruiting, etc.?

Answer: The Offeror should include payroll related expenses only such as related taxes and health or other employee related insurance. Training and recruiting are to be included in Other Operating expenses. These are consistent with State expenditure categories. The exact nature of the costs should be clearly explained in the Budget Narrative.

ALL OTHER PROVISIONS OF THE SOLICITATION SHALL REMAIN IN THEIR ENTIRETY

Vendor hereby acknowledges receipt and understanding of above amendment.

The above referenced Solicitation Amendment is hereby executed this 19th day of December, 2011 at Phoenix, Arizona.

Signature Date

Typed Name and Title

Name of Company


Denel Pickering Chief Procurement Officer